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SOURCE Planovo Stopanstvo, No 5, 1947.FINANCING OF THE ECONOMIC PLAN

Svetoslav Donchev

The financing of the economic plan has two main objects: to provide construction projects and enterprises figuring in the plan with the necessary operating funds.

Since the plan emphasizes construction work, the investments assigned in 1948 to this economic sector will exceed the funds for 1946 by 230 percent.

Funds invested in construction projects are derived from the following sources: (1) regular and special state budgets; (2) budgets of autonomous enterprises and institutions; (3) loans (government bonds and other); (4) credit, deposit, and other bank institutions; and, (5) enterprise-owned, or private, funds.

Every project is separately mentioned and itemized in the record of the appropriate department; this record is subsequently submitted to the newly created financing office at the Bulgarian National Bank, and the latter approves the issuance of the necessary funds. The record must also identify the source from which the funds are to be appropriated.

The 1947 budget provides 7.5 billion leva for the construction projects of various departments and thereby assures the financial basis of the main part of the 1947 construction plan. The remaining projects, estimated at about 3 billion leva, will be financed through a special budget, based on receipts obtained from a single property-tax levy.

The Great National Assembly introduced an amendment to the budget system which provided that all expenditures for construction projects be listed as investments.

All funds are designed to provide means for the full realization of projects, including all building material and manpower.

After the appropriation has been approved, the organizations responsible for the construction must submit detailed financial estimates and documentation to the

CONFIDENTIAL

- 1 -

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budget control commission, which, in turn, will present it to the Ministry of Finance. If the latter gives its approval, it will advise the Bulgarian National Bank to establish an account for the released amount and to assume the necessary control.

The departments assigned to the execution of the projects must be ready to provide complete technical plans, showing the requirements for building material, subsequent construction progress, and the final date on which the project will be ready for operation. The necessary supply of foreign machinery and equipment must also be indicated.

When the funds are appropriated from the budgets of self-supporting enterprises, institutions, etc., the agencies responsible for the financial planning of construction projects will present their estimates and documentation to the special plan-financing commission at the Bulgarian National Bank, which has to approve the credit, establish the account, and assume the necessary control.

Such funds may be derived from the Bulgarian State Railroads, the Main Food-Export Administration, the Social Security Fund, the Bulgarian Agricultural Bank, individual cooperatives, etc.

Communal construction projects follow a different procedure. It is expected that the plan will substantially increase their number, due to the great interest shown by most communities in new construction projects. Materials, manpower, and transportation are supplied from local sources and frequently offered free of charge; however, any funds required for these projects from community budgets must primarily be submitted to the Bulgarian National Bank for approval, with each project listed separately and the amounts involved at every phase of the work shown.

All the above regulations are designed to bring every type of construction work under a single control and accounting system.

Another important source for financing construction projects is provided by credits. All credits allotted for construction work are under the exclusive control of the Bulgarian National Bank.

Every enterprise receiving credits from a savings or credit institution, including those which are using their private funds, must primarily obtain the authorization of the bank for any of its projects. After proper examination of the application, the bank advises the particular savings or credit institution to release the requested funds or authorizes the enterprise to use its private funds. If the credit is destined for a state or communal enterprise, or a self-supporting state or communal enterprise, the bank authorization is only given in compliance with the Ministry of Finance which, in turn, will inform the State Loan Administration of the extended authorization. The applications must be substantiated by financial documentation and indicate payment terms of the loans. The enterprise is not authorized to alienate any part of its real property, machines, or possessions without previous sanction from the bank. To assure strict compliance with this rule, a separate index of every project must be drawn by the notary public of the local court.

Furthermore, the enterprises must furnish a written guarantee that the funds will be used exactly according to the purpose stated in the requested bank authorization. However, in cases when no such preliminary guarantee can be obtained, the funds are released in advance upon a simple statement that they will be used for the purpose stated.

All these control measures provide the Supreme Economic Council with the power to survey the amounts used for individual projects, as well as the over-all progress of construction throughout the country. The control accounts of all creditor institutes and all credited enterprises carried by the Bulgarian National Bank in connection with the plan are a further aid in this direction.

- 2 -

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All financing is done according to the Law of Payment by Check and with the use of savings deposits.

The second object of the finance plan is to provide enterprises with the necessary operating funds. They are obtained through the local credit institutions from the funds assigned to them for planned construction work. If the local institution refuses to extend the funds, the enterprise may apply directly to the Bulgarian National Bank, Department of State-Plan Financing, in Sofia.

The financial section of the Supreme Economic Council has been swamped with applications for operating funds from Sofia and the provinces. The favorable solution of this problem will speed the progress of production.

In general, construction projects included in the plan will be fully provided with funds, the main part of which proceeds from the state budget and also from the budgets from self-supporting or other economic enterprises. Another part proceeds from bank credits, from deposits and various other bank resources, and still another part is derived from the private sector and from amounts collected during the year from the funds invested in electrification, irrigation, and industrialization of the country. Finally, an investment loan of several billion leva has been granted by Czechoslovakia to provide power-generating machinery and other equipment necessary for electrification.

The recent monetary reform has also produced a strong impact on investment plans.

The principle of planned economy provides an efficient channeling of the previously scattered national resources into new fields of economic activity.

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- 3 -

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